

Message Text

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14

ORIGIN AGR-20

INFO OCT-01 NEA-10 ADP-00 EB-11 COME-00 TRSE-00 CIAE-00

INR-10 NSAE-00 RSC-01 STR-08 AID-20 OMB-01 L-03 /085 R

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APPROVED BY NEA/ARP:FMDICKMAN

USDA/FAS:FWADDLE

E - MR. DAWSON (SUBS)

NEA/ARP:BWRAMPELMEIER

----- 027979

R 222308Z AUG 73

FM SECSTATE WASHDC

TO AMEMBASSY JIDDA

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E.O. 11652: N/A

TAGS: EAGR, SA

SUBJ: SAG PURCHASE OF FOODGRAIN COMMODITIES FROM US

REF: JIDDA 3508; JIDDA 3578

1. PLEASE ADVISE MINISTER AL-AWADHI THAT US DEPARTMENT OF AGRICULTURE WILL BE PLEASED TO ASSIST HIM IN PROCUREMENT OF WHEAT, RICE AND WHEAT FLOUR. MINISTER AL-AWADHI SHOULD UNDERSTAND THAT US GOVERNMENT DOES NOT ENTER INTO THE COMMERCIAL EXPORT SALES OF THESE COMMODITIES NOR DOES THE US GOVERNMENT OWN STOCKS OF COMMODITIES. THE SAG NEEDS, THEREFORE, TO PURCHASE THROUGH REGULAR TRADERS IN EACH OF THE COMMODITIES. MANY US EXPORTERS HAVE A LONG HISTORY OF TRADE WITH SAUDI ARABIA.

2. MINISTER AL-AWADHI MAY NOT BE AWARE OF THE MAGNITUDE OF COMMODITY PRICE MOVEMENTS THIS PAST YEAR IN ALL WORLD MARKETS. SHARP PRICE INCREASES OF WHEAT, RICE AND WHEAT FLOUR HAVE BEEN GENERAL IN ALL WORLD MARKETS SINCE ABOUT AUGUST 1972. THE APPROXIMATE NET EXPORT PRICE OF US HARD WINTER WHEAT F.O.B. GULF PORTS, FOR EXAMPLE, INCREASED FROM

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ABOUT 60 DOLS PER METRIC TON IN MID-JULY 1972 TO 108 DOLS

IN MID-DECEMBER TO 120 DOLS IN MID-JULY 1973 AND WAS 200 DOLS ON AUGUST 21, 1973. WHEAT FLOUR PRICES ARE DIRECTLY

IN LINE WITH WHEAT PRICES AND HAVE INCREASED IN THE SAME WAY.

3. WHEAT FLOUR EXPORTS FROM US TO SAUDI ARABIA HAVE BEEN MAINLY OF LOWER QUALITY CALLED "FIRST CLEARS" AND "SECOND CLEARS" WHICH ARE A MARGINAL PRODUCT OF THE US MILLING INDUSTRY IN CONTRAST TO REGULAR WHEAT FLOUR FOR COMMERCIAL BREAD BAKERS WHICH IS A PRIMARY PRODUCT. THE SUPPLY OF "CLEARS" FLUCTUATES AS BOTH PRODUCTION OF AND DOMESTIC DEMAND FOR THESE LOWER GRADES IS VARIABLE. INDUSTRY SPOKESMEN SAY DOMESTIC DEMAND HAS BEEN VERY STRONG FOR "CLEARS" AND THE SUPPLY TIGHT WITH PRICES IN KANSAS CITY OF 7.85 DOLS PER 100-LB. BAG. TRADERS IN EXPORT MARKETS ARE BIDDING 1.00 DOL PER BAG BELOW THE DOMESTIC PRICE BUT ARE NOT RECEIVING ANY OFFERS. REGULAR GRADE FLOUR KNOWN AS EXPORT STRAIGHT, WAS QUOTED AT ABOUT 11 DOLS PER 100-LBS F.O.B. GULF PORTS ON AUGUST 17. FLOUR MARKET SITUATION IN SAUDI ARABIA NO DOUBT REFLECTS (1) VERY LIMITED AVAILABILITY OF "SECOND CLEARS" AND (2) HIGHER PRICES PREVAILING IN EXPORTING COUNTRIES. COMMODITY MARKETS CONTINUE TO BE VERY VOLATILE WITH WIDE DAILY FLUCTUATIONS SO PRICES QUOTED ABOVE MAY DIFFER FROM THOSE OF NEXT WEEK OR MONTH.

4. WORLD RICE SITUATION PRESENTLY EXTREMELY TIGHT AND EXPORT SUPPLIES LIMITED. US EXPORTERS SOLD LONG GRAIN NO. 2 PARBOILED RICE 4 PERCENT BROKEN TO SAUDI ARABIAN IMPORTERS IN AUGUST 1972 AT 10.25 DOLS PER CWT C&F JIDDA, IN OCTOBER 1972 AT 13.50 DOLS, IN MARCH 1973 AT 21 DOLS, IN APRIL, MAY AND JUNE AT 23 DOLS. THERE ARE PRESENTLY OFFERINGS AT 30 DOLS TO 31 DOLS PER CWT C&F JIDDA FOR OCTOBER, NOVEMBER SHIPMENTS. CURRENT FREIGHT RATE IS 2.35 DOLS PER CWT, UP 1 DOL PER CWT FROM A YEAR AGO.

5. THERE ARE SEVERAL WAYS IN WHICH MINISTRY OF COMMERCE MIGHT GO ABOUT ARRANGING FOR CONTRACTS WITH US COMMODITY EXPORTERS. SAUDI EMBASSY COMMERCIAL OFFICER COULD BE LIMITED OFFICIAL USE

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AUTHORIZED TO SEND TENDERS TO US EXPORTERS REQUESTING BIDS OR TENDERS COULD BE ANNOUNCED BY MINISTRY FROM RIYADH. ALSO, EMBASSY COMMERCIAL OFFICER COULD CALL IN TRADERS AND REQUEST THEY SUBMIT PROPOSALS FOR SUPPLY OF WHEAT AND RICE. ALTERNATIVELY, SAG COULD CONTRACT WITH US BROKER TO ACT AS ITS AGENT FOR PROCUREMENT OF THESE COMMODITIES. IF REQUESTED, USDA CAN PROVIDE NAMES OF FIRMS OR INDIVIDUALS WHO ARE CURRENTLY ENGAGED IN THIS

CAPACITY. IF MINISTER DESIRES, USDA WILL BE PLEASED FURNISH LISTS OF WHEAT AND RICE EXPORTERS INCLUDING THOSE ALREADY TRADITIONAL SUPPLIERS TO SAUDI MARKET. USDA CAN ALSO OFFER ASSISTANCE TO SAUDI EMBASSY COMMERCIAL OFFICER, IF DESIRED, IN WRITING UP TENDERS FOR BIDS. IN CASE OF WHEAT FLOUR, SAG COULD MAKE ITS DESIRES KNOWN TO USDA WHICH WOULD UNDERTAKE CIRCULARIZE US MILLING INDUSTRY AND

TRANSMIT RESPONSES TO MINISTRY OF COMMERCE OR SAUDI EMBASSY COMMERCIAL OFFICER FOR FOLLOW-UP ACTION. ROGERS

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